



Office of the City Auditor

Classification and Compensation Plan Report No. 0511

March 21, 2006

The City is in compliance with some, but not all, of the requirements set out in City Code. Prior to 2005, the Classification and Compensation Plan had not been submitted to City Council for approval and the Plan presented in 2005 did not include all of the elements required by Code.

CITY COUNCIL

Mayor
Mary Manross

Council
Betty Drake
Wayne Ecton
W.J. "Jim" Lane
Robert Littlefield
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March 21, 2006

To the Most Honorable Mary Manross, Mayor
and Members of the Scottsdale City Council

Transmitted herewith is a report on the Classification and Compensation Plan, Audit Report No 0511. We would like to thank Human Resources staff and management for their cooperation and assistance during this audit.

If you need additional information or have any questions, please contact me at 480-312-7756.

Respectfully submitted,

A handwritten signature in cursive script that reads "Cheryl Lee Barcala". The signature is written in dark ink and is positioned above the printed name and title.

Cheryl Barcala, CPA, CIA, CFE, CGFM, CISA, CISSP
City Auditor

Table of Contents

EXECUTIVE SUMMARY	1
ACTION PLAN.....	2
BACKGROUND	4
Human Resources Management	4
Classification and Compensation.....	6
Authorized Positions.....	6
Pay and Compensation	7
Reclassifications.....	8
Human Resources Department.....	8
Policies and Procedures	9
SCOPE AND METHODOLOGY	10
OBJECTIVE: Determine if the City is in compliance with the Classification Plan requirements set out in City Code.	11
APPENDIX A – Management Response	13

EXECUTIVE SUMMARY

An audit of the City's compliance with requirements in City Charter related to approval of the number, titles, qualifications, and compensation of all officers and employees of the City and associated provisions in Scottsdale Revised Code (SRC or City Code) was included in the 2005 Audit Plan for the Office of the City Auditor.

Our work led us to conclude that the City is in compliance with some, but not all, of the requirements. Prior to fiscal year (FY) 2005, the City Council was not asked to approve an annual Classification and Compensation Plan. In 2005, a Plan was incorporated as part of the Ordinance to adopt the citywide Estimates of Expenditures (i.e., the adoption of the budget). The Plan submitted, however, did not include all of the elements required by Code.

As part of our work, we noted that the Human Resources Department has made a concerted effort in the last year to review authorized positions against established job descriptions and titles to identify situations needing review. We also noted that departmental management has management reports that allow monitoring of positions that have been authorized and their current status (for example, filled or vacant). Human Resources is in the process of revising procedures to improve compliance.

However, during this audit we noted that the provisions in Chapter 14 (Human Resources Management) are outdated. For example, City Code still refers to the City Manager as the Human Resources Director instead of reflecting the fact that there is a Human Resources General Manager assigned responsibility for the day-to-day management of human resources matters.

In other areas of the Chapter, modifications submitted after the initial adoption of the Chapter in 1987 or perhaps errors in the initial ordinance have created requirements that may not be what was intended. For example, Section 14-41, "Recruitment, selection and examination," states that the City Manager will designate job classifications that will be subject to background checks, drug and alcohol screenings, or both. There is no guidance on why these duties are specifically assigned to the City Manager instead of the Human Resources Director in a similar manner that other duties were assigned. As a result, it is difficult to determine if the City Council intended to create a separation of duties or if there was an error in wording that did not get caught.

The Action Plan on the next page discusses management's resolutions to the issues discussed in this report.

ACTION PLAN

No.	Management Response
1	<p>The approved Classification and Compensation Plan includes some, but not all, of the elements required by Code. The Plan did not include a count of the total number of authorized positions or a breakdown of titles and numbers of positions by section.</p>
	<p>Management Response: <input checked="" type="checkbox"/> Agree <input type="checkbox"/> Disagree</p> <p>Proposed Resolution or Reason for Disagreement: Human Resources will work with the Finance Department to include a count of the total number of authorized positions and a breakdown of titles and numbers of positions by section in this years Budget submittal (FY 06/07).</p> <p>Responsible Party: Finance Department Completed By: FY2006/07</p>
2	<p>Conflicting and unclear language in City Code creates a condition in which it is difficult to determine if current procedures meet the intent of City Code when approving reclassifications and changes to the Plan.</p>
	<p>Management Response: <input type="checkbox"/> Agree <input checked="" type="checkbox"/> Disagree</p> <p>Proposed Resolution or Reason for Disagreement:</p> <p>In 2005, The Human Resources Department worked with the City Attorney's Office to clarify the approval process for reclassification and changes to the Classification and Compensation Plan. In a written statement effective July 1, 2005, the City Manager clearly delegates her responsibilities as Human Resource Director as defined in the Human Resource Ordinance Chapter 14 to the individual employed as the General Manager of Human Resources (see attached written statement).</p> <p>Furthermore, the Human Resources Department, has, and will continue to comply in accordance with City Code regarding all changes to the Classification and Compensation Plan, including the approval of reclassifications. There is, in fact, a clear demarcation of authority in the Code concerning the matter of reclassification and changes to the Classification and Compensation plan. Due to the fact that this is a sensitive area of Human Resource management work, there will be an ongoing review process by City legal staff and the Human Resources Department in the event that revisions to the Code are warranted in this or any other functional area of Human Resources.</p> <p>Responsible Party: Human Resources Completed By: Ongoing</p>

As outlined in Human Resource Ordinance Chapter 14:

- *Sec. 14-1.1. Definitions Human Resource Director means the person to whom the city manager, as human resources director, has delegated duties and responsibilities pursuant to this chapter 14 and who is responsible for policy formation and administration of human resources.*
- *Sec. 14-4 (a) The city manager is the human resources director and may delegate any of the power, duties and responsibilities to any other employee of the city or may contract for human resources services. References to human resources director in this chapter refer to the individual with day-to-day responsibility for city-wide human resource management.*
- *Sec. 14-22 (b) The city manager has the authority to make amendments to the classification and pay plan at any time during the year.*
- *Sec. 14-24(i) Employees in exempt positions may receive various forms of premium pay in the event of extraordinary circumstances or emergency conditions upon approval of the city manager.*

Payroll Action Forms requiring City Manager or Designee Signature

CPPA – Classification & Pay Plan Action Form

Form used to amend positions, jobs, and assigned salary grades at any time during the fiscal year.

Signatures Required: 1) City Manager/Designee 2) Human Resource Director (job title)

Please Note: Any action to reorganize work centers or rename a title associated with approved positions will not require a City Manager/Designee signature.

Signatures Required: 1) Human Resource Director (job title) 2) Senior HR Analyst


Premium Pay / Exempt Authorizations / Compensation Exceptions

Each fiscal year a list of employees with exempt authorizations and compensation exceptions are reviewed and approved annually. Throughout the year it may be necessary to add and delete employees to this list of approved actions.

Concurrence Required : City Manager or Designee concurrence (historically provided by e-mail) is forwarded to Payroll prior to processing the employees exception or premium pay.

Effective July 1, 2005

I, Jan Dolan, as the appointed City Manager, delegate my responsibilities as Human Resource Director as defined in the Human Resource Ordinance Chapter 14 to the individual employed as the General Manager of Human Resources. The essential functions and responsibilities of the General Manager of Human Resources regarding policy formation and city-wide human resource administration clearly are in accordance with the definitions as referenced above.


Jan Dolan
City Manager

BACKGROUND

City Charter sets the framework for City administration. City Council, through adoption of ordinances, further refines the structure of City operations. These ordinances are then codified into City Code.

The council, by ordinance not inconsistent with this charter, shall provide for the organization, conduct and operation of the several offices and departments of the city as established by this charter, for the creation of additional departments, divisions, offices and agencies and for their consolidation, alteration or abolition.

The council, by ordinance not inconsistent with this charter, may assign additional functions or duties to offices, departments or agencies. Where the positions are not incompatible, the council may combine in one person the powers and duties of two or more offices created or authorized by this charter.

The council shall provide the number, titles, qualifications, powers, duties and compensation of all officers and employees of the city. Officers of the city shall become residents of the city within six (6) months after the start of their employment. The city council may by ordinance provide residency requirements for all other city employees.

SOURCE: Scottsdale City Charter, Article 4, Section 1, Administrative Departments and Offices.

Human Resources Management

In 1987, provisions related to human resources management underwent significant revisions. Ordinance No. 1837 (adopted June 15, 1987) effectively rescinded prior rules and created a new Chapter in City Code. With subsequent modifications, the provisions for human resources management are codified into City Code as Chapter 14, "Human Resources Management."

As currently written, City Code sets out the City Manager as the Human Resources Director with the authority to delegate this role to another employee or to contract for these services. The Human Resources Director is to:

1. Administer a comprehensive human resources system designed to select, develop, and maintain an effective work force.
2. Attend all meetings of the personnel board, provide administrative services, and submit revisions and amendments of the human resources ordinance to City Council.
3. Establish and maintain a classification plan.
4. Approve reclassifications.

Historically, the City Manager has delegated the functions of Human Resources Director to various positions within the City. In 2005, a formal delegation was completed to set these responsibilities with the Human Resources General Manager.

Other provisions in City Code set certain responsibilities with the City Manager (not acting in the capacity of the Human Resources Director). For example, Section 14-22 states that the City Manager has the authority to make amendments to the pay and classification plan at any time during the year. As well, the City Manager is assigned responsibilities such as:

1. Approving reclassifications.
2. Establishing guidelines for salary increases and exceptional performance pay for all employees (except Charter Officers,¹ City judges, and judges pro tem).
3. Designating job classifications that will be subject to background checks, drug and alcohol screenings, or both.
4. Establishing a reduction in force plan and procedure.

In a memo dated February 2004, the City Manager delegated authority for reclassifications to the Assistant City Manager or Deputy City Manager. In 2005, the City Manager further specified that:

- City Manager/Designee and Human Resource Director (job title) sign Class and Pay Plan Amendment (CPPA) forms when a decision was reached to amend the duties and responsibilities for a specific position(s) and change the assigned salary grades.
- The Human Resource Director and Senior HR Analyst sign actions that reorganize work centers or rename a title associated with an approved position.

As currently written, City Code also sets other responsibilities for the City Manager but provides the ability to designate the duties to another position. For example:

- Section 14-23 sets out that the City Manager, or designee, is to determine the rest periods for fifty-six hour fire personnel and sworn police personnel on patrol.
- Section 14-24 sets out that the City Manager, or designee, may authorize other premium pays as deemed necessary and appropriate.

¹ For this audit, the definition of Charter Officers will include City Manager, City Clerk, City Auditor, City Attorney, and City Treasurer.

Classification and Compensation

Chapter 14 sets out definitions for various terms related to human resources management and procedures that are to be followed annually to obtain approval for compensation that will be paid to City employees. As well, provisions are included that set out how to classify positions and the steps needed should a position need to be reclassified. The insert below contains definitions that will be useful in understanding the discussion that follows in this report.

Classification and Compensation Definitions

Classification means a position or group of positions with duties, responsibilities, and skill level sufficiently alike to be equitably assigned the same title, same or similar qualification requirements, the same skill level, and the same salary range or maximum.

Classification and Compensation Plan means a listing of official City titles with the authorized number of positions, salary maximum, and a breakdown of titles and numbers of positions by section. The plan is updated regularly and approved annually by City Council.

Classification Specification (class spec) means a written description that reflects the specific type and level of duties and responsibilities of the class and necessary requirements. A class spec is not meant to be all inclusive, but rather to serve as a guide for such activities as recruitment, selection, compensation, and determining training needs.

Compensation means payments to employees for work performed. Includes such diverse payments as salary, exceptional performance pay, standby pay, paid medical leave, health insurance, and paid vacation.

Position means a specific job involving duties and responsibilities which require the services of one person.

Reclassification means a change in the classification of a position or group of positions in response to a significant and permanent change in the duties and responsibilities of the position or positions.

SOURCE: SRC, Chapter 14, Article II, §14-20.

Authorized Positions

In compliance with City Charter, City Council has final say in the number of authorized positions. To track what has been approved, Human Resources staff uses a Position Control list with a unique number to each authorized position. When a new position is needed, a request is submitted to City Council and, if approved, the position is added to the list. As of December 20, 2005 (the report date), the City had a total of 3,130 authorized positions. Of

these, 2,382 are full-time; 476 are part-time with leave; 7 are Council, 6 are part-time without leave; 259 are temporary; and 439 are vacant.

The Position Control report is run each payday and tracks the following information by Center Number:

- Title, classification assigned, and departmental location.
- Classification level filled and incumbent information.
- Position status (full-time, part-time, job share, temporary).

For each center, there is a summary line listing the total number of positions and a breakdown of how many are full-time, part-time with leave, part-time, temporary, and vacant. To track situations that are considered exceptions, Human Resources staff use a report that identifies:

- Positions that are filled through the hiring of an employee that performs job duties at a lower job classification than what was initially approved (e.g., hiring a Secretary instead of hiring an Executive Secretary). These situations are called under-filled positions because it is possible for the position to revert back to what was originally authorized if the position becomes vacant or if the employee is promoted.
- Positions where the employee hired has been given a different title than what is assigned to the authorized position.
- Situations where one authorized position is used to hire two employees. These exceptions are known as double filled positions.
- Full-time positions that are filled with two job share employees.
- Positions filled with one job share employee.
- Positions filled with two job share employees but each employee has a different title and/or job type (e.g., one employee who works 20 hours a week as a Library Aide and another employee who works 20 hours a week as a Reference Librarian).
- Positions filled with two job share employees with the combined benefit level greater than one full-time equivalent (FTE).
- Positions above the salary range maximum.

Pay and Compensation

To accomplish an organized structure of compensation, City Code requires that each authorized position be assigned a classification. Positions with similar job duties and requirements are to be grouped under the same classification. For example, all positions approved for secretarial assistance would be grouped under classifications such as "Secretary" or "Executive

Secretary" depending on the duties, responsibilities, and qualifications required.

City Code calls for a classification plan that lists:

- Class titles for all positions
- Distinguishing features of the class
- Examples of work performed
- Required knowledge, skills, and abilities
- Desirable training and experience
- Special licensing or other requirements (if applicable)

Annually, City Code requires adoption of a Classification and Pay Plan that sets out all titles, number of authorized positions, and salary maximums for City positions. Through this process, the City complies with Charter requirements.

Information such as current approved job titles, salary ranges, and job descriptions is maintained and available on the City's website.

Reclassifications

City Code defines a reclassification as a change in classification in response to significant and permanent changes in duties and responsibilities. City Code requires that the Human Resources Director and City Manager approve changes. To document approved changes, Human Resources staff use a CPPA form.

City Code does not specify details such as whether an employee will receive an increase in salary if a position is reclassified.

Human Resources Department

There are three Divisions within the Human Resources Department: Learning and Organization Development, Diversity and Dialogue, and Human Resources. The Human Resources Division, responsible for compensation; benefits; administration; and client services, will be the only Division discussed in this report.

The total program budget for the Division in FY 05/06 is \$2,416,668 with \$1,999,231 (83 percent) expended for personal services, \$355,342 (15 percent) for contractual services, and \$62,095 (3 percent) for commodities.

The program is funded from the General Fund. There are a total of 27.5 FTEs including one full-time Human Resources Director.

The Department Mission is to:

Hire, develop and retain a competent committed and diverse workforce to provide high quality and cost-effective services to Scottsdale citizens. Cultivate an environment within the organization and community where differences are valued, respected and embraced.

The Human Resources Division Description states:

The Human Resources program coordinates the hiring of mission critical staff and provides human resources support to management and employees in all departments. This program also implements total compensation and employment policies and practices to promote a healthy and productive work environment.

Program Broad Goals include:

- *Ensure compliance with federal, state and City of Scottsdale employment laws and policies, and manage employee relations issues to promote a healthy and productive work environment.*
- *Strategically strengthen the quality and diversity of the workforce ("right people in the right jobs").*
- *Provide competitive total compensation for employees, including quality and cost effective health insurance.*

Performance measures deal with cost of health and dental insurance, Equal Opportunity Commission formal complaints, and citywide turnover.

Policies and Procedures

The Human Resources Department has recently completed a self-audit that has resulted in a reevaluation of policies and procedures for Compensation and Classification. Needed revisions have been drafted but not yet finalized.

SCOPE AND METHODOLOGY

The objective of this audit was to determine if the City is in compliance with the Classification Plan requirements set out in City Code.

To address this objective, we:

- Reviewed the Scottsdale City Charter and SRC to identify significant compliance requirements to be used as criteria.
- Interviewed Human Resources management to obtain an understanding of the current processes and procedures.
- Reviewed the Council Action Report and/or Resolution for evidence of City Council approval of the June 2005 Plan.
- Reviewed the Classification Plan for elements required by Code.
- Compared the approved Classification Plan to job descriptions on the Human Resources Intranet site and in the Classification and Compensation files to determine if there were job descriptions for each title in the Plan.
- Selected a sample of job titles and reviewed job specifications for components required by Code.
- Reviewed reclassification requests for approvals and evidence that positions had significant and permanent changes in duties and responsibilities.
- Tested a sample of reclassifications for compliance with established procedures. We found two discrepancies that were discussed with management but not considered material enough to warrant inclusion as a reportable condition. We also tested for evidence that the reclassifications were only approved with supporting evidence that the position had a significant and permanent change in duties and responsibilities. We noted one exception that was considered immaterial and this was discussed with management.

Audit work was conducted in accordance with generally accepted government auditing standards as they relate to expanded scope auditing in a local government environment and as required by Article III, Scottsdale Revised Code, Section 2-117, *et seq.* Survey and fieldwork took place from January to February 2006 with Stella Fusaro conducting the work.

OBJECTIVE: DETERMINE IF THE CITY IS IN COMPLIANCE WITH THE CLASSIFICATION PLAN REQUIREMENTS SET OUT IN CITY CODE.

- 1. Council is to provide the number, titles, qualifications, powers, duties, and compensation of all officers and employees of the City. Annually, a Classification and Compensation Plan is to be approved.**

Criteria: City Charter, Article 4, and SRC, Chapter 14, Article II, §14-21 and §14-22.

Condition: A Classification and Compensation Plan was submitted for Council approval in June 2005 as part of the adoption of the annual budget. For many years prior to this, no Plan was presented for approval.

While a Plan was approved in 2005, the City was still not in compliance with all requirements. The Plan submitted to City Council only included titles and hourly and salary minimums and maximums; it did not include a count of the total number of authorized positions or a breakdown of titles and numbers of positions by section.

Cause: Presenting the Plan to Council did not become a priority until 2005.

In addition, management believed that the inclusion of a list of authorized positions by department in the citywide Budget book was sufficient to meet the requirement set out in City Code. It is our view that this is not the case. The citywide Budget document is not approved by City Council and, therefore, presentation in the Budget would not meet requirements set out in City Charter. Also, information included in previous years did not include a breakdown of titles and numbers of positions by section (department or division).

Effect: Non-Compliance with City Code and City Charter. Council has not had the opportunity to review all information required by City Code when approving the Plan.

2. Current specifications are to be maintained for City job classifications.

Criteria: SRC, Chapter 14, Article II, §14-21 (c).

Condition: There are job specifications for each of the titles listed on the June 2005 Classification and Compensation Plan. The job specifications in the sample included all the elements required by City Code.

Cause: Human Resources management has made an effort in the last year to update job specifications, classes, and titles.

Effect: Compliance with Code.

3. Reclassifications are to be approved by both the City Manager and the Human Resources Director.

Criteria: SRC, Chapter 14, Article II, §14-21 (b).

Condition: Reclassifications are not approved by the City Manager or the individual designated as the Human Resources Director. The City Manager has delegated authority to approve reclassifications to the Human Resources General Manager who is technically, through other delegations, also the Human Resources Director. For reclassifications, the Human Resources General Manager, in the capacity of the Human Resources Director, has delegated this role to the position that has the title "Human Resources Director" (i.e., the position in charge of the Human Resources Division of the Human Resources Department).

Cause: Provisions in City Code are outdated in light of the fact that the current structure for the Human Resources Department is not reflected in the assignment of responsibilities and duties. Moreover, the City Manager has interpreted provisions in City Code that allow for the delegation of duties associated with the day-to-day responsibility for the human resources management to allow delegation of all responsibilities specifically called out to the City Manager.

Effect: Failure to achieve the degree of separation specified in City Code when responsibilities specifically set with the City Manager are delegated to another employee.

APPENDIX A – MANAGEMENT RESPONSE

Office of Human Resources, General Manager
INTEROFFICE MEMORANDUM



To: Cheryl Barcala, City Auditor
From: Teri Traaen
Date: Tuesday, March 21, 2006
Re: Classification and Compensation Plan Audit Report 2006 - #0511

The attached action plan is in response to the City Auditor's Classification and Compensation Plan Audit.

Prior to and concurrent with the audit, HR initiated an extensive pre-audit of the full classification and compensation plan. Due to the comprehensive work already completed, most enhancements and process improvements to the Classification and Compensation Plan were already completed prior to the inception of the audit. As a result of the audit, there were two additional items that needed clarification and are depicted in our response.

Thanks for your continued assistance to Human Resources throughout the audit.

C: Jan Dolan, City Manager
Neal Shearer, Assistant City Manager